

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Genesee District Library	County Genesee
Audit Date 12/31/04	Opinion Date 3/9/05	Date Accountant Report Submitted to State: 4/20/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

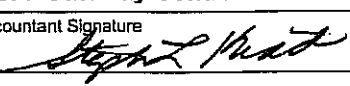
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) Lewis & Knopf, P.C.			
Street Address 5206 Gateway Centre - Ste 100	City Flint	State MI	ZIP 48507
Accountant Signature 		Date	

GENESEE DISTRICT LIBRARY

FLINT, MICHIGAN

AUDIT REPORT FOR THE YEAR ENDED DECEMBER 31, 2004

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Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

March 9, 2005

INDEPENDENT AUDITOR'S REPORT

To the Trustees of
Genesee District Library

We have audited the accompanying financial statements of the governmental activities of Genesee District Library, as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Genesee District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Genesee District Library as of December 31, 2004, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2005, on our consideration of the Genesee District Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the Library has implemented a new financial reporting model, as required by the provisions of the *GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of January 1, 2004, along with all related statements and interpretations.

The management's discussion and analysis on pages II - V and budgetary comparison information on page 10 are not required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Genesee District Library's basic financial statements. The accompanying other supplementary information, as identified, in the table of contents is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.
LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

GENESEE DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004

USING THIS ANNUAL REPORT

This annual report consists of three parts: *Management's Discussion and Analysis* (this section), the *basic financial statements*, and *required supplementary information*.

- * The statement of net assets presents the Library's operations on a full accrual basis, which provides both long, and short- term information about the Library's *overall* financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library on a longer-term view of the Library's finances.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

CONDENSED FINANCIAL INFORMATION

The following table below shows key financial information in a condensed format:

<u>ASSETS</u>	
Current Assets	\$6,972,064
Non-Current Assets	960,952
	<hr/>
<u>TOTAL ASSETS</u>	<u>\$7,933,016</u>
 <u>LIABILITIES</u>	
Current Liabilities	\$224,094
Non-Current Liabilities	200,000
Total Liabilities	<hr/> \$424,094
 <u>NET ASSETS</u>	
Invested in Capital Assets - Net of Related Debt	960,952
Restricted	83,643
Unrestricted	6,464,327
Total Net Assets	<hr/> \$7,508,922
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$7,933,016</u>
 <u>REVENUE</u>	
Property Taxes	\$6,118,129
Other	2,066,139
Total Revenue	<hr/> \$8,184,268
 <u>EXPENDITURES - LIBRARY SERVICES</u>	 <u>8,724,964</u>
 <u>CHANGE IN NET ASSETS</u>	 <u>(\$540,696)</u>

GENESEE DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004

THE LIBRARY AS A WHOLE

- * The Library is reporting financial statements this year that meet the requirements of GASB 34.
- * The Library's primary source of revenue is from property taxes. For 2004, total tax collections were \$6,118,129. This represents approximately 75 percent of total revenue.
- * Salaries and fringe benefits are the largest overall expenditure of the Library. For 2004, this expenditure was \$4,721,285, representing 54 percent of the Library's total expenditures. The addition of 3 full time employees and 2 part time employees, plus an average 3 percent increase in salaries contributed to an overall increase of \$318,815 over the previous year.
- * Library materials (books, periodicals and audio visuals) of \$1,936,472 are the second largest overall expenditure of the Library, representing 22 percent of the Library's total expenditures.
- * The Library expended \$574,430 for capital assets of which a significant portion was for technology upgrades, which included computer hardware and software.

THE LIBRARY'S FUND

Our analysis of the Library's Operating Fund is included on pages 1 and 2 of the respective statements. The Library's only fund is the Operating Fund.

- * The fund balance of the Operating Fund decreased by \$540,696 for the year. This represents expenses greater than revenue.
- * The restricted fund balance of \$83,643 consists of contributions, legacies and bequests.
- * The Library Board has designated funds established for budget stabilization see Note 8.

LIBRARY BUDGETARY HIGHLIGHTS

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The most significant amendment occurred in capital assets.

OPERATING FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

OPERATING FUND BUDGET VS. ACTUAL

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenues	\$7,232,400	\$7,232,400	\$8,184,268	0.00	13.16
Expenditures	8,938,664	9,449,750	8,724,964	(5.41)	7.67
<u>TOTAL</u>	<u>(\$1,706,264)</u>	<u>(\$2,217,350)</u>	<u>(\$540,696)</u>		

GENESEE DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

Original vs. Final Budgets

Revenues – Increase of \$500,000 in the revenue budget as a transfer from the equipment replacement fund to the capital outlay budget for the purchase of a new circulation computer system; hardware, software and peripherals.

Expenditures – Amendments for the year amounted to \$511,086 which included an increase in capital outlay for the above mentioned computer system. Additional line items were rearranged to accommodate an increase in consultant fees for the continuation of employment by Baker College of the FALCON System Director that GDL had a contractual obligation in 2004.

Actual Results vs. Final Budgets

Revenues –

- * Tax Revenues were \$25,970 higher due to increased tax collections.
- * State Aid exceeded expectations by \$13,694.
- * Collections for penal fines in Genesee County and Tyrone Township of Livingston County exceeded estimates by \$77,797.
- * As a member and Fiscal Agent of the Flint Area Library Consortium On-Line (FALCON), revenues were higher than anticipated. FALCON revenues are actually reimbursements from the members in the consortium based on a pre-determined formula. The formula calculates the amount of reimbursement (revenue) from members of the consortium to the Fiscal Agent (GDL). Revenues and expenditures have the same correlation to the level of participation in the consortium. In 2004, the consortium had less employees and the FALCON System Director retired in June, 2004, which allowed for a substantial reduction in operating costs. The slight increase in revenue is due to the fact that the year ending 2004 covered the period June, 2003 through December, 2004 (18 months) and is minimal because Lapeer District Library terminated relations with the FALCON consortium in August, 2004 and GDL terminated in December, 2004. Baker College became the new Fiscal Agent for the consortium now known as PALNET.

Expenditures –

- * Salaries and fringe benefits were less than expected because of unfilled positions created by employee turnover, unfilled positions, 9 short-term disability claims and 3 workers' compensation claims.
- * Books and library related materials had an unexpended budget of \$100,043 due to unavailability and back orders.
- * Contractual services particularly attorney fees and programming had substantial balances of unexpended funds.
- * Insurance premiums were less than anticipated.
- * Repairs and maintenance was less mainly because of the new computer system and a one year warranty.
- * Capital outlay for major purchases was \$155,976 less than budgeted because of the computer system bid came in lower than expected and the renovation of the new Genesee Valley demonstration location did not get started as early as expected and the costs will be experienced in 2005.

GENESEE DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004

CAPITAL ASSETS AND DEBT ADMINISTRATION

As a result of GASB 34 implementation, the library adopted a capitalization policy of \$1,000. Capital asset activity for the year ended December 31, 2004, was as follows:

	BALANCE JAN. 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE DEC. 31, 2004
<u>GOVERNMENTAL ACTIVITIES</u>				
Equipment and Furniture	\$1,908,376	\$550,861	\$1,234,934	\$1,224,303
Leasehold Improvement	687,645	23,569	64,444	646,770
Totals at Historical Cost	\$2,596,021	\$574,430	\$1,299,378	\$1,871,073
Less: Accumulated Depreciation	(2,042,459)	(159,865)	(1,292,203)	(910,121)
<u>GOVERNMENTAL ACTIVITIES</u> <u>CAPITAL ASSETS - NET</u>	<u>\$553,562</u>	<u>\$414,565</u>	<u>\$7,175</u>	<u>\$960,952</u>

Significant capital asset acquisitions consists of new computer hardware and software for the circulation system and a portion of the branch workstations.

DEBT

A summary of the debt outstanding at the Library is as follows:

	BALANCE JAN 1., 2004	ADDITIONS	DEDUCTIONS	BALANCE DEC. 31, 2004
<u>Governmental Activities:</u>				
Compensated Absences	\$200,000	\$0	\$0	\$200,000

The compensated absences represent the estimated liability to be paid employees under the Library's vacation pay policy. Under the Library's policy, employees earn vacation time based on time of service with the Library.

MILLAGE RATES

During August, 1987, the voters of the district approved a millage, authorized by election charter, of .7895 mills. The Library levied .7563 mills and the difference between the authorized and levied is .0332 mills. The difference is because of the Headlee rollback. This millage expires on January 1, 2008.

In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Library's finances. If you have questions about this report or need additional information, contact the Executive Director at Genesee District Library, G-4195 W. Pasadena Avenue, Flint, MI 48504.

GENESEE DISTRICT LIBRARY
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$6,765,924
Accounts Receivable	146,680
Contract Receivable	41,347
Accrued Interest Receivable	2,696
Prepaid Expenses	15,417
Total Current Assets	<u>\$6,972,064</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	1,871,073
Less: Accumulated Depreciation	<u>(910,121)</u>
Total Noncurrent Assets	<u>\$960,952</u>
<u>TOTAL ASSETS</u>	\$7,933,016
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	81,286
Accrued and Other Liabilities	59,165
Deferred Revenue	83,643
Total Current Liabilities	<u>\$224,094</u>
<u>LONG-TERM LIABILITIES</u>	
Compensated Absences	200,000
Total Liabilities	<u>\$424,094</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	960,952
Restricted	83,643
Unrestricted	<u>6,464,327</u>
<u>TOTAL NET ASSETS</u>	<u><u>\$7,508,922</u></u>

See accompanying notes to the basic financial statements.

GENESEE DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
DECEMBER 31, 2004

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
General Government	\$8,724,964	\$272,562	\$88,274	(\$8,364,128)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				6,118,129
State Penal Fines/Single Business Tax				559,863
State Aid				139,094
Investment Earnings				88,856
Mid Eastern Michigan Library Cooperative				95,750
Use of Contributed Facilities				756,720
Miscellaneous Revenue				65,020
Total General Revenues and Transfers				<u>\$7,823,432</u>
Change in Net Assets				<u>(\$540,696)</u>
Net Assets - Beginning - As Restated				<u>8,049,618</u>
<u>Net Assets - Ending</u>				<u><u>\$7,508,922</u></u>

See accompanying notes to the basic financial statements.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Genesee District Library was organized under the provisions of the District Library Act of the State of Michigan. The electorate created the Genesee District Library on January 1, 1980. The primary purpose of Genesee District Library is to provide support services for eighteen county locations.

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

REPORTING ENTITY

The Genesee District Library is the basic level of government which has financial accountability and control over all activities related to the Library within the geographical area known as Mideastern Michigan. The Library receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Library is not included in any other governmental "reporting entity" as defined by GASB pronouncement. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14 which are included in the Library's reporting entity.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The Library has one fund, the Operating Fund.

The Operating Fund is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. Normally, expenditures are divided between years by the recording of prepaid expenses. The prepaid expenses reported on the balance sheet represent payments made in advance for 2005 expenditures.

In addition to presenting information for the Operating Fund, the statements combine all fund activity and present information for the Library as a whole, using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

Operating Fund

The operating fund represents resources over which the trustees have discretionary control and are used to carry out the operations of the organization.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT AMOUNTS

CASH AND CASH EQUIVALENTS

The Library considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Investments are reported at fair market value and determined using selected bases. Short-term investments are reported at cost, which approximate fair values. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

PREPAID EXPENSES

Prepaid balances are for payments made by the Library in the current year to provide services occurring in the subsequent fiscal year.

CAPITAL ASSETS

Generally, capital assets are defined by the Library with an initial cost of more than \$1,000. Such assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred.

Depreciation on such capital assets is charged as an expense against the operations on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Equipment and Furniture	5 - 7 Years
Leasehold Improvements	7 - 10

Inexhaustible Collections and Books

Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the library has not capitalized them.

REVENUE RECOGNITION

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restriction.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Library reports any donor-restricted contributions whose restrictions are not in the same accounting period as unrestricted support.

CONTRIBUTED FACILITIES

The Library occupies certain premises, which are located in government owned buildings, without charge or at a nominal charge of \$1. The estimated fair rental value of the premises is reported as support and the corresponding expenses are shown in the period in which the premises are used. The district library does not actually own or control the seventeen county locations. The facilities belong to the local community. The Genesee District Library merely furnishes services and personnel for these various locations.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COMPENSATED ABSENCES

The Library reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Sick and vacation leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick and vacation leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Library's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

DEFERRED REVENUE

Income is recognized as revenue as it is earned. Prepayments are recorded as deferred until the revenue is earned over the year.

INCOME TAX STATUS

The Library has been granted exemption from federal income taxes as an organization other than a private foundation under Internal Revenue Code.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

ACCOUNTING CHANGE

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis - For State and Local Governments, issued in September 1999. While these statements are scheduled for a phased implementation according to the size of the governmental unit, Genesee District Library has elected adoption, along with all related statements and interpretations, effective January 1, 2004. Changes to the Library's financial statements as a result of GASB No. 34 are as follows:

- * Management's Discussion and Analysis (MD&A) section providing analysis of the Library's overall financial position and results of operations has been included.
- * Financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Library's activities have been provided.
- * Capital assets in the full accrual column of the statement of net assets includes assets net of accumulated depreciation totaling \$960,952, previously accounted for by the Library in the Plant Fund.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

2) DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

Deposits - The Board authorized the following financial institutions for the deposit of the Library's funds for the year ended December 31, 2004: Bank One, Republic Bank and Citizens Bank.

At December 31, 2004, the carrying amount of the Library's deposits, on the books was \$6,765,924. The bank balance with financial institutions classified as to risk was as follows:

Insured (FDIC or FSLIC)	\$ 361,002
Uninsured – Uncollateralized	<u>4,587,395</u>
<u>TOTAL</u>	<u>\$ 4,948,397</u>

3) CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2004, was as follows:

	<u>BALANCE</u> <u>JAN. 1, 2004</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>DEC. 31, 2004</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Equipment and Furniture	\$1,908,376	\$550,861	\$1,234,934	\$1,224,303
Leasehold Improvements	<u>687,645</u>	<u>23,569</u>	<u>64,444</u>	<u>646,770</u>
Total Capital Assets	\$2,596,021	\$574,430	\$1,299,378	\$1,871,073
Less: Accumulated Depreciation	<u>(2,042,459)</u>	<u>(159,865)</u>	<u>(1,292,203)</u>	<u>(910,121)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$553,562</u>	<u>\$414,565</u>	<u>\$7,175</u>	<u>\$960,952</u>

Depreciation expense was \$159,865 for the year ended December 31, 2004.

4) TAX APPEAL PAYABLE

The balance represents the liability due to Grand Blanc Township for tax appeal settlements with General Motors Corporation. The amount will be paid in increments over a period not to exceed ten years. The balance as of December 31, 2004 was \$11,057.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

5) LONG-TERM DEBT

A summary of the debt outstanding at the Library is as follows:

	BALANCE JAN. 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE DEC. 31, 2004
<u>Governmental Activities:</u>				
Compensated Absences	\$200,000	\$0	\$0	\$200,000

The compensated absences represent the estimated liability to be paid to employees under various sick and vacation pay contracts. Under the Library's various contracts, employees earn vacation and sick time based on time of service with the Library.

6) RESTATEMENT OF NET ASSETS – CORRECTION OF AN ERROR

Prior to the year ended December 31, 2004, it was discovered that there were certain assets held in trust that were not properly recorded on the Library's books. To properly account for all the Library's assets a correction of prior period fund balance was needed in the amount of \$146,678.

7) DEFERRED RESTRICTED CONTRIBUTIONS (RESTRICTED NET ASSETS)

Changes in deferred restricted contributions are summarized below:

Balance – Beginning	\$ 86,933
Additions	
Contributions, Legacies and Bequests	22,852
	\$ 109,785
Deductions - funds expended during the year	26,142
<u>BALANCE – ENDING</u>	<u>\$ 83,643</u>

8) DESIGNATED FUND BALANCE

With the implementation of GASB 34, designated fund balance is not presented on the financial statements but the board of directors have made some designation as of December 31, 2004. They are as follows:

Equipment Fund	\$ 810,355
Election Fund	100,000
LSCA Title II (20 year/2014, HQ Building Grant)	101,250
Retirement Reduction Fund	880,000
Retiree Health Care Premium Fund (See Note 10)	2,300,000
<u>TOTAL</u>	<u>\$ 4,191,605</u>

9) LEASE

The Library leases space at the Genesee Valley Mall. From January 1, 2004 to September 30, 2004 the lease was a month to month lease with a monthly lease rate of \$1,000. On October 1, 2004 the Library signed a new three-year which expires on September 30, 2007. Monthly rent is \$2,200 per month. Future obligations are as follows:

2005	\$ 26,400
2006	26,400
2007	19,800
<u>TOTAL</u>	<u>\$ 72,600</u>

The Library also leases various pieces of office equipment.

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

10) DEFINED BENEFIT PENSION PLAN

The Library has a defined benefit pension plan covering substantially all employees. The plan is operated by the Genesee County Retirement System (GRS), which is an agent multiple-employer public employee retirement system (PERS). The pension plan provides retirement, survivor and disability benefits. Separate financial statements for the Library are prepared by GRS on an annual basis.

Most of the Library employees are eligible to participate in the GRS. Employees hired on or after January 1, 1998, shall be required to contribute 1.0% of their gross compensation for each payroll period to the Retirement System. Employees hired prior to January 1, 1998, shall be required to contribute 0.5% of their gross compensation for each payroll period to the Retirement System. A basic plan member, hired before July 1, 1995, may retire at age 60 with 8 or more years of credited service. A basic plan member, hired after July 1, 1995, may retire at age 60 with 12 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to the final average compensation (FAC) times the sum of a) 2.3% for the first 25 years of service plus b) 1.0% for years of service in excess of 25 years. Maximum employer financed portion is 60% of FAC. Final average compensation is the employee's average salary over the last highest 5 years out of the last 10 years of credited service. For 6 administration employees FAC is the highest 2 years.

The Library's current year covered payroll and its total current year payroll for all employees amounted to \$3,477,706 and \$3,545,072, respectively.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of the projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the GRS's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among GRS and employers. The GRS makes separate measurements of assets and pension benefit obligation for individual municipalities. The pension benefit obligation at December 31, 2003 (latest reporting date available) for the Library, determined through an actuarial valuation performed as of that date, was \$10,270,930. The benefit obligation is for vested and nonvested current employees. The Library's net assets available for benefits on that date (valued at cost) were \$12,455,680, leaving an overfunded pension benefit obligation of \$2,184,750. The Library made contributions of \$20,896 for the year ended December 31, 2004. The investment return rate and pay increase assumption used in making the actuarial valuation was 8%. The Library funding policy is to contribute annually an amount sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the Library may determine to be appropriate. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligations.

Ten year historical trend information showing the GRS's progress in accumulating sufficient assets to pay benefits when due is presented in the December 31, 2003 comprehensive annual financial report. Three year historical trend information is as follows:

VALUATION DATE	NET ASSETS AVAILABLE FOR BENEFITS	PENSION BENEFIT OBLIGATION	PERCENT FUNDED	AMOUNT
12-31-01	\$ 425,846,925	\$ 403,158,551	105.6%	\$ (22,688,374)
12-31-02	414,125,511	423,009,102	97.9%	8,883,591
12-31-03	405,218,225	433,147,789	93.6%	27,929,564

GENESEE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

11) POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 10, the library provides post retirement health care benefits to employees who retire after attaining at least 25 years of service. Employee with less than twenty-five (25) years of credited service who retire at sixty (60) years of age or older, but who were hired after July 1, 1995, shall be eligible for eighty (80%) percent employer paid health insurance coverage. The employee portion of the cost for health insurance coverage shall offset the annual employee maximum for such increases in health insurance premiums on a dollar-for-dollar basis. Employees who retired from active employment with employer between January 1, 1998 and December 31, 2002 shall be eligible for full employer paid health insurance coverage; provided that they pay fifty (50%) of any increase in health insurance premiums, up to an annual maximum of \$460. Currently 25 retirees meet those requirements and 25 are receiving medical insurance coverage. The library is accounting for the expense on a pay-as-you-go-basis. The medical insurance premiums are 100% paid by the library and amounted to \$18,149 per month, or \$217,782 for the 2004 year. The library is in the process of establishing a funded post retirement healthcare plan through Genesee County Retirement System.

12) ECONOMIC DEPENDENCY

The library receives a substantial amount of its support from state and local governments. A significant reduction in the level of this support may have an effect on the library's programs and activities. The library's voter approved tax millage expires December 31, 2007.

REQUIRED
SUPPLEMENTARY
INFORMATION

GENESEE DISTRICT LIBRARY
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>				
Property Taxes	\$6,097,000	\$6,097,000	\$6,118,129	\$21,129
State Penal Fines/Single Business Tax	490,000	490,000	559,863	69,863
State Aid	125,400	125,400	139,094	13,694
Investment Earnings	100,000	100,000	88,856	(11,144)
Grants	62,132	62,132	62,132	0
Contributions, Legacies, and Bequests	0	0	26,142	26,142
Library Fines, Fees and Other	7,868	7,868	43,495	35,627
F.A.L.C.O.N. Revenue	200,000	200,000	229,067	29,067
Mid Eastern Michigan Library Cooperative	80,000	80,000	95,750	15,750
Use of Contributed Facilities	0	0	756,720	756,720
Miscellaneous Revenue	70,000	70,000	65,020	(4,980)
Total Revenues	\$7,232,400	\$7,232,400	\$8,184,268	\$951,868
<u>EXPENDITURES</u>				
Salaries and Wages	4,051,085	4,044,169	3,555,742	488,427
Fringe Benefits	1,372,579	1,370,621	1,165,543	205,078
Supplies	165,000	175,000	173,718	1,282
Books	1,187,500	1,187,500	1,141,791	45,709
Periodicals	75,000	75,000	72,107	2,893
Audio Visual	749,000	749,000	722,574	26,426
Contractual Services	295,500	321,900	287,820	34,080
Telephone	200,000	200,000	183,278	16,722
Travel	47,300	42,151	29,367	12,784
Printing	179,000	169,000	159,077	9,923
Insurance	41,800	40,562	26,448	14,114
Utilities	40,000	40,000	30,752	9,248
Building & Maintenance	297,000	296,947	238,894	58,053
Miscellaneous	17,900	17,900	14,126	3,774
Capital Outlay	220,000	720,000	0	720,000
Other	0	0	923,727	(923,727)
Total Expenditures	\$8,938,664	\$9,449,750	\$8,724,964	\$724,786
<u>REVENUES (UNDER) EXPENDITURES</u>	<u>(\$1,706,264)</u>	<u>(\$2,217,350)</u>	<u>(\$540,696)</u>	<u>\$1,676,654</u>
<u>FUND BALANCE - BEGINNING OF YEAR - AS RESTATED</u>			8,049,618	
<u>FUND BALANCE - END OF YEAR</u>			\$7,508,922	

INDIVIDUAL FUND SCHEDULES OF
EXPENDITURES

GENESEE DISTRICT LIBRARY
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<u>SALARIES</u>				
Salary - Administration	\$713,500	\$706,584	\$622,633	\$83,951
Salary - Full Time	2,590,261	2,590,261	2,381,063	209,198
Salary - Part Time	154,698	154,698	106,693	48,005
Salary - Temporary	66,000	66,000	14,543	51,457
Salary - Overtime	130,000	130,000	74,549	55,451
Salary - Shelves	311,400	311,400	271,161	40,239
Longevity	85,226	85,226	85,100	126
Total Salaries	\$4,051,085	\$4,044,169	\$3,555,742	\$488,427
<u>FRINGE BENEFITS</u>				
Social Security	313,049	314,539	270,719	43,820
Retirement	20,574	21,086	20,896	190
Medical Insurance	816,272	816,272	717,806	98,466
Dental Insurance	62,966	62,966	52,558	10,408
Life and Disability	50,778	50,798	46,861	3,937
Worker's Compensation	22,874	22,894	8,148	14,746
Unemployment	10,614	10,614	585	10,029
Optical Insurance	14,452	14,452	13,453	999
Educational Reimbursement	19,200	19,200	1,200	18,000
Annuity Expenditure	41,800	37,800	33,317	4,483
Total Fringe Benefits	\$1,372,579	\$1,370,621	\$1,165,543	\$205,078
<u>SUPPLIES</u>				
Office Supplies	10,000	11,600	11,577	23
Operating Expenditures	105,000	125,600	125,579	21
Postage and Shipping	50,000	37,800	36,562	1,238
Total Supplies	\$165,000	\$175,000	\$173,718	\$1,282
<u>BOOKS</u>				
Books - Documents and Pamphlets	2,500	2,500	2,500	0
Books - E Books	5,000	5,100	5,086	14
Books - Paperbacks	30,000	30,000	26,191	3,809
Books - Reference	425,000	450,000	449,927	73
Books - Restricted	0	0	25,924	(25,924)
Books - System	725,000	699,900	632,163	67,737
Total Books	\$1,187,500	\$1,187,500	\$1,141,791	\$45,709
<u>PERIODICALS</u>				
Magazines and Newspapers	75,000	75,000	72,107	2,893
<u>AUDIO - VISUAL</u>				
CD's and Videocassettes	85,000	65,000	58,299	6,701
A-V Microfilm - Materials	14,000	14,000	11,589	2,411
Digital Video Disks	500,000	527,600	527,532	68
Audio Cassettes	150,000	142,400	125,154	17,246
Total Audio - Visual	\$749,000	\$749,000	\$722,574	\$26,426

GENESEE DISTRICT LIBRARY
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<u>CONTRACTUAL SERVICES</u>				
Attorney	\$35,000	\$35,000	\$20,263	\$14,737
Payroll	7,000	7,500	7,417	83
Auditor	6,500	6,500	5,946	554
Consultant	5,000	31,400	31,332	68
Programming	145,000	139,300	122,948	16,352
Software	30,000	30,000	27,864	2,136
Staff Development	12,000	15,100	15,015	85
O.C.L.C. and M.L.C.	55,000	57,100	57,035	65
Total Contractual Services	\$295,500	\$321,900	\$287,820	\$34,080
<u>TELEPHONE</u>				
Telephone	200,000	200,000	183,278	16,722
<u>TRAVEL</u>				
Travel - Regular	16,500	16,500	11,258	5,242
Travel - Workshop	21,300	21,300	15,161	6,139
Vehicle Rental	6,500	2,051	1,589	462
Gas and Oil	3,000	2,300	1,359	941
Total Travel	\$47,300	\$42,151	\$29,367	\$12,784
<u>PRINTING AND ADVERTISING</u>				
Public Relations	60,000	66,200	66,133	67
Printing and Publishing	15,000	23,900	23,838	62
Events, Sponsorships, and Themes	100,000	74,900	67,820	7,080
Advertising	4,000	4,000	1,286	2,714
Total Printing and Advertising	\$179,000	\$169,000	\$159,077	\$9,923
<u>INSURANCE</u>				
Building and Contents	28,000	28,000	16,515	11,485
Liability and Bonds	7,000	7,000	6,164	836
Automobile Insurance	6,800	5,562	3,769	1,793
Total Insurance	\$41,800	\$40,562	\$26,448	\$14,114
<u>UTILITIES</u>				
Public Utilities	40,000	40,000	30,752	9,248
<u>BUILDING AND MAINTENANCE</u>				
Equipment Repairs and Maintenance	8,000	10,947	10,522	425
Equipment Service Contracts	171,000	153,000	106,712	46,288
Equipment Lease	32,000	32,000	30,823	1,177
Building Repairs and Maintenance	20,000	20,000	12,740	7,260
Building Service Contracts	56,000	71,000	70,287	713
Building Supplies	5,000	5,000	4,463	537
Computer Parts and Supplies	5,000	5,000	3,347	1,653
Total Building and Maintenance	\$297,000	\$296,947	\$238,894	\$58,053

GENESEE DISTRICT LIBRARY
SCHEDULE OF OTHER EXPENDITURES AS COMPARED TO BUDGET - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<u>MISCELLANEOUS</u>				
Rent	\$3,200	\$3,200	\$3,063	\$137
Binding	500	500	0	500
Refunds	2,000	2,000	1,117	883
Memberships	4,200	4,200	3,021	1,179
Director's Business Expenditure	1,000	1,000	636	364
Board Expenditure	7,000	7,000	6,289	711
Total Miscellaneous	<u>\$17,900</u>	<u>\$17,900</u>	<u>\$14,126</u>	<u>\$3,774</u>
 <u>CAPITAL OUTLAY</u>				
Capital Outlay	220,000	720,000	0	720,000
 <u>OTHER</u>				
Contributed Facilities	0	0	756,720	(756,720)
Depreciation	0	0	159,865	(159,865)
Loss on Sale of Fixed Assets	0	0	7,142	(7,142)
Total Other	<u>\$0</u>	<u>\$0</u>	<u>\$923,727</u>	<u>(\$923,727)</u>
 <u>TOTAL OPERATING EXPENDITURES</u>	<u><u>\$8,938,664</u></u>	<u><u>\$9,449,750</u></u>	<u><u>\$8,724,964</u></u>	<u><u>\$724,786</u></u>

* The operating expenditures of F.A.L.C.O.N., \$108,604 which are included in this schedule, are presented in detail on Schedule 2.

GENESEE DISTRICT LIBRARY
SCHEDULE OF F.A.L.C.O.N. EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	2004 BUDGET	2004 ACTUAL
<u>F.A.L.C.O.N. EXPENDITURES</u>		
Salaries	\$31,000	\$28,638
Social Security	1,989	1,808
Retirement	1,300	3,474
Medical Insurance	8,600	9,197
Dental Insurance	605	605
Life and Disability	411	411
Workers Compensation	98	98
Optical Insurance	142	142
Educational Reimbursement	600	0
Annuity	1,000	833
Office Supplies	300	300
Operating Expenditures	2,000	106
Postage	600	600
Attorney	660	660
Auditor	300	300
Consultant	0	19,601
Computer Software	2,000	30
Telephone	1,460	1,644
Travel - Regular	450	375
Building and Contents	750	750
Public Utilities	3,000	3,200
Equipment - Service Contracts	46,000	35,832
<u>TOTAL F.A.L.C.O.N. EXPENDITURES</u>	<u>\$103,265</u>	<u>\$108,604</u>



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

March 9, 2005

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Genesee District Library

We have audited the financial statements of the governmental activities of Genesee District Library, as of and for the year ended December 31, 2004, which collectively comprise the Genesee District Library's basic financial statements and have issued our report thereon dated March 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Genesee District Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Genesee District Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the finance committee, management and federal awarding agencies and pass-through entities and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf PC
LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

March 9, 2005

To the Board of Directors of
Genesee District Library

In planning and performing our audit of the financial statements of Genesee District Library for the year ended December 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Genesee District Library's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

The following items of immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended December 31, 2004, Genesee District Library incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

2. Segregation of Duties

Due to the limited size of Genesee District Library's accounting staff, ideal segregation of responsibilities for internal control purposes is impractical. An effective system of internal accounting control contemplates an adequate separation of duties so that no one individual handles a transaction from its inception to its completion. We recognize that Genesee District Library is not large enough to make the employment of additional persons, for the purpose of separating duties, practical from a financial standpoint; but we are required, under our professional responsibilities to call this situation to your attention.

3. Journal Entries

We would recommend that journal entries posted into the general ledger system be kept in a binder with the backup for the entry attached. If possible, the Executive Director should approve the entries made by the Director of Finance before they are posted in the system.

Management Response

Implemented for 2005.

4. Receipt Process

Each deposit ticket should have a listing of the monies that make up the deposit amount.

Management Response

Most 2004 deposit tickets have this documentation. Total implementation on all deposit tickets will be done in 2005.



Genesee District Library
Page 2
March 9, 2005

FUTURE ISSUES

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Genesee District Library, the effective implementation date must begin by December 15, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASBS No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

Governments may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- * Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)
- * Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- * Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Genesee District Library's Board of Trustees and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Lewis & Knopf P.C.
LEWIS & KNOFF, P.C.
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